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SUBJECT: BRAZIL'S ACRE STATE: GROUND ZERO FOR SOUTH AMERICAN  
INTEGRATION

REF: Brasilia 315

1. (SBU) Summary. One of President Lula's key objectives is the construction of an all-weather highway linking Brazil to the Pacific Ocean, and within a few years this dream will become reality. The GOB has paved route BR 364/317 to the Peruvian border and paving of this highway on the Peruvian side is proceeding apace. For the remote Brazilian state of Acre - nearly 4,000 kilometers distant from the Atlantic coast port of Santos - this will allow its exports a much closer outlet to Pacific ports and further link its insular economy to that of Peru's Madre de Dios region and Bolivia's Pando. At the same time, the heightened development engendered by the highway, along with possible oil/gas exploration, will further endanger the state's Amazonian forest. Meanwhile, the better roads will make it easier for traffickers - engaged in both narcotics smuggling and TIP - to use the region as a transit zone. Finally, increased migration to Acre could magnify growing urban problems (favelas, improper waste disposal, and crime) in Rio Branco, the capital, and intensify land disputes between rubber tappers and loggers in the interior of the state.

2. (SBU) Summary continued. For the USG, Acre (as well as the rest of the Amazon) is important because of its potential effect on global climate change. Scientists note that in the coming years drought will likely spark an increasing number of fires in the state's Amazon forest. Such fires could release an immense amount of carbon into the atmosphere, destroy one of the world's most important carbon sinks, and hasten the savannahization of the Amazon. One way to help forestall this would be to maintain funding for the USAID Mission's environmental program, which provides badly needed support for NGOs, university researchers, and governmental officials seeking to implement sustainable forestry management policies. End Summary.

3. (U) This cable is the first of a two-part series looking at the Brazilian frontier states of Acre and Rondonia. During his time in Rio Branco, Embroff met with state and municipal government

officials, NGO representatives, researchers, and the press.  
Reporting on Rondonia will be sent septel.

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Acre - A Long Way from Anywhere  
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14. (U) By air, three hours (and two time zones) away from Brasilia, more than half of Acre's 600,000 people reside in the capital, Rio Branco. The only other point of access to the city is via an all-weather paved highway (BR 364) extending 510 km west from Porto Velho, Rondonia. During the late 1880s, Rio Branco grew into a regional center as rubber tappers used it as a way-station to ship latex out via tributaries connecting to the Amazon River. Successive waves of migrants, poor laborers from Brazil's Northeast and Lebanese-Syrian merchants, helped swell the population until the end of World War I when Brazilian rubber plantations were supplanted by cheaper sources in Southeast Asia. Many of the rubber tappers who lived in the interior of the state remained, however, eking out a living through farming and the harvest of Brazil nuts. State officials note that also within the interior live approximately 1,000 indigenous people who, as of yet, have had no contact with developed society.

15. (SBU) The state's principal products remain rubber, lumber, cattle, and Brazil nuts. Notwithstanding its ample Amazonian forest, tourism is practically non-existent as there is little or no infrastructure to host visitors; the best hotel in Rio Branco has a mere 40 rooms. (Even so, Acreanos, pointing to their new 30,000 seat soccer stadium, dream of being one of the country's host cities should Brazil be awarded the 2014 World Cup.) Acre, much of whose territory was at one time part of either Bolivia or Peru, was thrust

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into the international spotlight in the 1980s, when violent land disputes between tappers and loggers resulted in the assassination of two labor activists: first Wilson Pinheiro in 1980 and then Chico Mendes in 1988.

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The Jorge Viana Miracle  
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16. (SBU) Only with the election of PT Governor Jorge Viana in 1999, did things get much better. Faced with state workers owed four months back wages (and a ransacked governor's palace) upon assuming office, he turned the state around, both in financial, infrastructure and social welfare terms. While in 1999 the state had ranked last among Brazil's 27 states in education, in 2007 it had risen to eleventh place. Whereas before 85 percent of state revenues had come from the federal government, by 2007 the state tax base had increased to the point that 40 some percent (in practical terms, probably the maximum possible) came from local sources. Together, the state and city government (the latter which was also held by the PT), began long-range planning, investing in health, parks, and basic infrastructure. For example, street lights, road paving, and technical assistance aimed at both rural and urban communities in need were all projects undertaken during this administration. Meanwhile, for perhaps the first time a dialogue between civil society and government began, as the Viana administration welcomed advice from NGO reps and even drew many of these officials into the government. In 2006, Viana's lieutenant governor, Binho Marques, replaced him as governor, but continued the tradition established under Viana's leadership.

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Development: Opportunities and Challenges  
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17. (SBU) Notwithstanding all the positive achievements of the Viana/Marques governments, current trends raise questions as to whether Acre can remain on its winning streak.

-- The Atlantic-Pacific Highway. With the strong support of President Lula - eager to advance its goal of South American integration - Brazil and its neighbors are well along in their effort to put in place an all-weather, paved, Atlantic to Pacific Highway. The Brazilian half of this effort, BR-364/317, is

finished, with a four-lane bridge between Assis Brasil (several hours southwest of Rio Branco) and Inapari, Peru already operational. While ex-governor Viana told Emboff that work on the Peruvian side might take another four years or so, given the engineering challenge involved in scaling the Andes, officials from Marques' cabinet stated that Lula and President Garcia planned to inaugurate the first 100 km on the Peruvian side of the border on July 4. (Comment: This ceremony could be postponed in view of the EU-Brazil summit scheduled in Brussels the same day. End Comment.) Once the highway is completely finished, Acre's economy will get a jump start as farmers will be able to export cattle and other goods to Peru and onward to Asian destinations. Instead of sending their products 4,000 km eastward to Santos, Brazil and then through the Panama Canal, they will be able to dispatch directly from the Peruvian port at Ilo. Meanwhile, the influx of fruits, vegetables, and manufactured goods from Peru and Bolivia will lower prices for local consumers.

-- Urban Problems. The new access routes, however, will likely draw more migrants to the state, accentuating Rio Branco's urban problems if the economy is not able to generate sufficient jobs for all the newcomers. Rio Branco State Environment Secretary Artur Leite told Emboff that one of the city's biggest challenges was how to deal with trash. Migrants to the city from rural areas were accustomed to throwing refuse in local streams - which ended up causing flooding during the rainy season, with the resultant standing water providing excellent breeding grounds for dengue

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fever-bearing mosquitos. Add to this the difficulty of constructing adequate housing and dealing with increasing crime and state/local officials will have their hands full.

-- Petroleum Exploration. Another important opportunity/challenge is the potential existence of oil and gas reserves in both Bolivia's Pando region as well as possibly the Brazilian side of the border. The presence of petroleum would boost the economy, but could generate distortions as Acre's poorly-educated rural rubber tappers and subsistence farmers would find themselves hard pressed to cash in on any oil/gas boom. Moreover, Acre's energy needs could well be met through other means. Ethanol and biodiesel refining projects are already underway, and both government officials and the business community hope to be able to tap some of the electricity that would be generated through the construction of two planned hydro-electric plants in Porto Velho (septel).

-- Deforestation. In Brazil, development is more or less a synonym for road-building, and roads often result in deforestation. Only 10 percent of Acre's Amazon tree coverage has been deforested, principally in the Southern portion of the state along the margins of BR 317. A fully-paved transcontinental highway (as well as petroleum exploration) would be a powerful driver for increased deforestation. The resulting conflicts between farmers/tappers in the interior and more powerful economic interests (loggers, prospectors, etc.) could well intensify the violent land disputes that marked the decade of the 1980s.

-- Trafficking. Better transport links will only increase the flow of narcotics and human trafficking through the state. NGO reps state (and DEA confirms) that Acre sits on a major narco-crossroad. Smugglers bring cocaine through the park and Indian reserves in the western portion of the state to Cruzeiro do Sul, whereupon they move their product down the westernmost portion of BR 364 (soon to be fully paved) and on towards other destinations in Brazil. But the bigger problem is in the south, where drugs flow across the bridge between Cobija, Bolivia, and Brasileia, Brazil - and directly onto what will be the transcontinental highway. And as coca production in Bolivia increases, the volume of drugs smuggled on this upgraded access route to the Pacific would likely only rise. One local government official told Emboff that the problem was wider than narcotics as the authorities had recently discovered a container full of illegal Thai immigrants transiting the area.

18. (SBU) Recognizing that good neighbors make even better friends, one researcher at the Federal University of Acre has initiated a movement to strengthen regional integration in areas such as education, border-crossing formalities, customs clearance, and forest protection. Called the MAP movement (Madre de Dios, Acre, Pando), on May 17 delegations from all three countries, including several Acre state deputies, signed their Magna Carta - the Pucallpa letter. MAP hopes to make a difference on bread and butter issues. For instance, legal immigrant families are sometimes reluctant to move because differing school requirements mean that their children might lose credit for work already done. MAP seeks to standardize teaching programs to prevent this from happening. One factor that could well impede MAP's success, however, is the all too typical views of Acreanos towards their neighbors. Few in Acre speak Spanish or care to learn, believing that their Peruvian and Bolivian neighbors are not equal to Brazilians. Naturally, such attitudes breed resentment.

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Climate Change  
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19. (U) Perhaps the most important issue here affecting U.S.

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interests is climate change. In 2005, Acre was the scene of record, even "apocalyptic" as one contact described it, forest fires. A prolonged dry season and human-initiated fires resulted in smoke pollution affecting more than 400,000 people and fire damage to over 300,000 hectares of rain forest. Unfortunately, an enduring legacy of this disaster is that the damaged forests are now even more susceptible to repeated burning as the increased tree mortality has produced more dead, dry material and reduced leaf coverage. Some climate models predict that by 2013 the drought conditions that sparked these fires could return once every four years and by 2025 they could return once every two years. Such extensive and frequent burning would not only generate massive releases of carbon dioxide into the air, but destroy one of the world's most important carbon sinks and lead to turning this part of the Amazon into a large savannah which could trigger changes to the hydrological cycle as well.

110. (SBU) One way to help forestall this would be to maintain funding for the USAID Mission's environmental program, which provides badly needed support for both NGO, university, and governmental officials seeking to implement sustainable forestry management policies. Recipient NGOs work directly with rural populations, teaching them the principles of agro-forestry, i.e., managing their use of the forest (for cattle-raising and farming) in a sustainable manner. As those who use the forest to maintain their livelihood learn better how to care for it, it will be easier to prevent the outbreak of human-initiated fires.

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Comment: The Tri-border Area  
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111. (SBU) Much is often made of the tri-border area in Southern Brazil, where the state of Parana meets Argentina and Paraguay and drug trafficking, terrorism finance, and trade in counterfeit goods are rampant. Similarly, the tri-border area joining Brazil, Colombia, and Venezuela also gets its share of the spotlight because of the lawlessness there. In the coming years, perhaps it should be the Brazil, Bolivia, Peru TBA that garners greater attention because of its significance in terms of the environment and climate change.

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